

Department of Economic Security
Summary

A.R.S. § 41-195

Director: David A. Berns

JLBC Analyst: Stefan Shepherd/Kim Hohman

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
PROGRAM BUDGET			
Administration	37,538,300	39,725,100	36,092,000
Developmental Disabilities	52,044,800	58,294,500	61,377,100
Long Term Care	355,462,600	439,788,600	494,491,300
Benefits and Medical Eligibility	170,066,200	195,397,900	205,077,800
Child Support Enforcement	44,684,900	52,409,600	52,424,200
Aging and Community Services	33,941,300	35,980,300	35,710,500
Children, Youth and Families	154,465,700	150,260,900	150,234,500
Employment and Rehabilitation Services	224,824,500	256,680,300	243,204,800
Agencywide Lump Sum Reduction	0	0	0 ^{1/2/}
Federal Match Rate Savings	0	0	0 ^{3/}
AGENCY TOTAL	1,073,028,300	1,228,537,200	1,278,612,200

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	5,187.3	4,908.5	5,037.4 ^{4/}
Personal Services	105,889,900	114,224,600	115,375,700
Employee Related Expenditures	26,275,500	29,454,000	30,162,200
Professional and Outside Services	14,241,600	11,854,100	17,434,900
Travel - In State	3,650,200	3,044,400	3,015,400
Travel - Out of State	42,800	42,800	42,800
Other Operating Expenditures	31,584,900	31,042,300	27,887,800
Equipment	4,371,700	4,510,000	4,688,100
OPERATING SUBTOTAL	186,056,600	194,172,200	198,606,900
Special Line Items (SLI)	886,971,700	1,034,365,000	1,080,005,300
Federal Match Rate Savings	0	0	0 ^{1/2/}
Agencywide Lump Sum Reduction	0	0	0 ^{3/}
AGENCY TOTAL	1,073,028,300	1,228,537,200	1,278,612,200^{5/6/7/8/}

FUND SOURCES

General Fund	434,567,000	425,167,700	445,219,500
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	29,300	1,064,800	1,565,700
Child Support Enforcement Administration Fund	9,331,200	12,046,000	12,263,400
Children and Family Services Training Program Fund	140,300	209,600	209,600
Domestic Violence Shelter Fund	1,500,000	1,700,000	1,700,000
Federal CCDF Block Grant	78,566,300	102,894,100	126,494,700
Federal TANF Block Grant	236,915,300	284,465,800	242,828,100
Job Training Fund	0	0	3,829,400
Long Term Care System Fund (Appropriated)	12,360,200	18,030,500	21,240,800
Public Assistance Collections Fund	187,000	313,800	446,800
Special Administration Fund	3,254,500	2,126,900	2,129,500
Spinal and Head Injuries Trust Fund	1,673,400	2,470,000	2,478,100
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Utility Assistance Fund	0	0	500,000
Workforce Investment Act Grant	43,339,100	47,977,500	48,004,700
SUBTOTAL - Other Appropriated Funds	387,296,600	474,299,000	464,690,800
<u>Other Expenditure Authority Funds</u>			
Federal Child Support Monies	30,881,700	35,317,100	34,999,200 ^{9/}
Long Term Care System Fund (Federal Match)	220,283,000	293,753,400	333,702,700 ^{9/}
SUBTOTAL - Other Expenditure Authority Funds	251,164,700	329,070,500	368,701,900
AGENCY TOTAL	1,073,028,300	1,228,537,200	1,278,612,200

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration, Developmental Disabilities; Long Term Care, Benefits and Medical Eligibility; Child Support Enforcement; Aging and Community Services; Children, Youth and Families; and Employment and Rehabilitation Services.

PERFORMANCE MEASURES	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Appropriation
• Agencywide customer satisfaction rating (Scale 1 to 5)	3	4.1	3	4.2
• Employee satisfaction rating (Scale 1 to 5)	3.7	3.5	3.7	3.7

Comments: The agency reports that the target levels for customer satisfaction ratings were set before DES established a baseline for the measures.

Technical Realignments — The approved amount for the agency includes a series of internal agency transfers within and between cost centers. These technical transfers address the following issues:

- Realigning the FY 2003 lump sum reduction from Laws 2002, Chapter 327
- Transferring occupancy costs to the Administration cost center
- Accounting FTE Position transfer
- Transferring Developmental Disabilities (DD)

Employment Support to Division of Developmental Disabilities

- Transferring monies from Aging and Community Services to Children, Youth and Families
- Realigning Spinal and Head Injuries Trust Fund monies

These transfers have no net General Fund or Other Appropriated Fund impact agencywide, except for Long Term Care System Fund federal match monies. *Table 1* has additional details.

Table 1	TECHNICAL REALIGNMENTS (ALL FUNDS)					
	FY 03 Lump Sum	Occupancy	Accounting FTE	DD Employment	DACS - DCYF	Spinal & Head
Admin	\$ 684,300	309,700	(9,000)	--	--	83,800
DD	(471,400)		--	3,600,000	--	--
LTC	(732,700)	(296,700)	31,200	5,833,300	--	--
DBME	75,500		--	--	--	--
DCSE	124,800		--	--	--	--
DACS	(157,600)	(5,700)			(185,800)	
DCYF	57,800	(181,000)	--	--	185,800	--
DECS	(73,500)	(21,400)	--	(5,534,400)	--	(83,800)
Total ^{1/}	\$(492,800)	(195,100)	22,200	3,898,900	0	0

^{1/} Non-zero differences reflect changes in Long Term Care System Federal match monies

- ^{1/} The General Appropriation Act, as originally passed, included \$(14,906,000) in FY 2004 for a lump sum reduction associated with temporary changes to the federal matching assistance percentage designed to give fiscal relief to states. This amount was line item vetoed by the Governor. The Governor's intent was to increase the total appropriation by a corresponding amount. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto.
- ^{2/} The reduction associated with the federal match rate change represents a reduction in the State General Fund appropriation associated with temporary changes to the federal matching assistance percentage designed to give fiscal relief to states. There shall be a corresponding \$14,906,000 increase in federal expenditure authority to the department. (General Appropriation Act footnote)
- ^{3/} The General Appropriation Act, as originally passed, included \$(1,007,500) in FY 2004 for a lump sum reduction. This amount was line item vetoed by the Governor. The Governor's intent was to increase the total appropriation by a corresponding amount. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto.
- ^{4/} Includes 625.1 GF, 109.2 OF, and 1,606.3 TF FTE Positions funded from Special Line Items in FY 2004.
- ^{5/} The above appropriation is in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)
- ^{6/} A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of (1) potential shortfalls in entitlement programs, (2) potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, (3) shortfalls resulting from new leases or renegotiations of current leases and associated costs, and (4) total expenditure authority of the Child Support Enforcement program for the month and year-to-date as compared to prior year totals. (General Appropriation Act footnote)
- ^{7/} The Department of Economic Security shall report the receipt and intended use of all current and prior year reversions from nonappropriated sources to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- ^{9/} These amounts are included in total expenditure authority.

Federal Block Grants — The approved amount includes the appropriation of the state’s Temporary Assistance for Needy Families (TANF) Block Grant allocation. *Table 2* below summarizes expected yearly revenues, expenditures, and fund balances.

As can be seen, the amounts appropriated exceed the amount of TANF Block Grant monies the state is expected to receive in both years. This is possible because the state is expected to have at least \$16,248,700 TANF “on account” with the federal government on June 30, 2003. The excess amount, \$15,140,100 in FY 2004, can be funded from this “reserve account,” leaving an expected balance of \$1,108,600 on June 30, 2004.

Table 2		
<u>TANF BLOCK GRANT SUMMARY</u>		
	<u>FY 2003</u>	<u>FY 2004</u>
Opening Balance	\$ 68,956,300	\$ 16,248,700
TANF Revenues	<u>231,758,200</u>	<u>222,688,000</u>
Total – Available TANF	\$300,714,500	\$243,936,700
Total TANF Expenditures	<u>\$284,465,800</u>	<u>\$242,828,100</u>
Ending Balance	\$ 16,248,700	\$ 1,108,600
Yearly Surplus/Shortfall	\$ (52,707,600)	\$(15,140,100)

Table 3 provides detailed information on TANF expenditures and appropriations.

The approved amount also includes the appropriation of the state’s federal Child Care and Development Fund (CCDF) Block Grant. In FY 2004, the state appropriates \$126,494,700 CCDF.

Veto: General Appropriations; 2003-2004 and 2004-2005 (Chapter 262) — The Governor vetoed the \$(14,906,000) General Fund lump sum reduction associated with savings from a temporary change in the Federal Matching Assistance Percentage (FMAP). The FMAP is the rate at which the state is required to contribute to the cost of assorted federal programs; the Long Term Care program for developmentally disabled clients is one of these programs. The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 included a temporary increase of 2.95% in FMAP for the last quarter of FY 2003 and all of FY 2004. This increase was expected to reduce General Fund costs to the department by \$(14,906,000); the intent of the Governor’s veto was to increase the agency’s appropriation by \$14,906,000 General Fund. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto. It is unclear what effect the Governor’s veto has on a related footnote, which increased federal expenditure authority by a “corresponding” \$14,906,000 associated with the lump sum reduction.

The Governor also vetoed the \$(1,007,500) General Fund agencywide lump sum reduction to the department. The intent of the Governor’s veto was to increase the agency’s appropriation by \$1,007,500 General Fund. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto.

Additional Legislation: Budget Reconciliation; Health and Welfare (Chapter 263) — The bill amended statutes to permit the sharing of foster care and developmental disabilities client medical data pursuant to federal Health Insurance Portability and Accountability Act (HIPAA) requirements, effective from and after April 13, 2003.

TABLE 3**FY 2003 - FY 2004 TANF BLOCK GRANT SPENDING**

	Approved FY 2003	Approved FY 2004
<u>Cost Center/Special Line Item</u>		
Administration		
Operating	\$ 5,301,700	\$ 4,041,000
Finger Imaging	289,500	289,900
Lease Purchase Equipment	645,000	645,000
Public Assistance Collections	175,800	177,500
Attorney General Legal Services	139,500	141,600
Total – Administration	\$ 6,551,500	\$ 5,295,000
Benefits and Medical Eligibility		
Operating	\$ 10,457,900	\$ 9,024,500
TANF Cash Benefits	103,605,900	111,736,700
FLSA Supplement	1,008,900	1,008,900
Arizona Works Administrative Incentives	434,300	0
Total – Benefits and Medical Eligibility	\$115,507,000	\$121,770,100
Aging and Community Services		
Operating	\$ 245,600	\$ 213,400
Community and Emergency Services	5,996,000	5,496,000
Coordinated Hunger Program	500,000	500,000
Coordinated Homeless Programs	1,583,200	1,583,200
Domestic Violence Prevention	5,115,900	5,115,900
Total – Aging and Community Services	\$ 13,440,700	\$ 12,908,500
Children, Youth and Families		
Operating	\$ 20,508,800	\$ 20,559,900
Adoption Services	5,186,100	5,186,100
Children Services	10,174,300	15,174,300
Healthy Families	0	5,034,200
Family Builders Program	6,200,000	5,200,000
Attorney General Legal Services	47,600	48,700
TANF Deposit to SSBG	36,398,200	25,259,700
TANF Dep. to Jt Substance Abuse Treatment Fund (Families FIRST)	333,300	2,000,000
Homeless Youth Intervention	400,000	400,000
Permanent Guardianship Subsidy	859,300	859,300
Total – Children, Youth and Families	\$ 80,107,600	\$ 79,722,200
Employment and Rehabilitation Services		
Operating	\$ 6,349,400	\$ 4,893,200
JOBS	20,316,600	17,316,600
Work-Related Transportation	3,302,200	302,200
Day Care Subsidy	12,471,300	620,300
Transitional Child Care	26,419,500	0
Total – Employment and Rehabilitation Services	\$ 68,859,000	\$ 23,132,300
TOTAL – DEPARTMENT OF ECONOMIC SECURITY	\$284,465,800	\$242,828,100

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